

Surrey Heath Borough Council

Income and Charging Policy

1. Introduction

Scope of the Policy

This policy has been developed to help meet the Council's Corporate Priority "Develop the Council's Medium Term Financial Strategy" by identifying a framework for charging and income generation.

Surrey Heath relies on the generation and collection of income in order to deliver its services. The council raises income from statutory sources such as Council Tax and National Non Domestic Rates, but an increasingly significant contribution is made from the fees and charges that the council makes for the delivery of its services.

It is in the interest of all taxpayers and residents that the collection of income is undertaken in the most efficient way and that the amount of income uncollected is minimised.

This policy will cover the following aspects of income collection:

- Charges for services
- Setting the level of fees and charges
- Determining concessions
- Collecting income
- Recovery action for late or non-payment
- Performance and Reporting mechanisms

The policy draws on best practice and Audit Commission guidance

Each section will be accompanied by Income Policy Guidance Notes to assist with implementation of the policy. The effectiveness and relevance of the policy and guidance notes will be reviewed as appropriate.

Policy Objectives

- To ensure that charges reflect Council and service objectives and priorities, the community and corporate plans;
- To maximise income for the Council;
- To offer choice and minimise exclusion;
- To protect tax payers interests by minimising debt and late payment;
- To ensure equality and consistency when dealing with residents;
- To ensure compliance with legal and statutory requirements;
- To implement appropriate recovery action.
- To ensure that the appropriate component of public good in a service is met by public revenues and that the private component of a service is met by fees and charges levied¹.

¹ For example meals on wheels has a clear private "good" component in that it benefits the individual but there is also a public benefit in that it enables an old person to remain in their own home thus reducing the demands on other public services. Similarly a fee to collect bulky refuse will have a private element in that it disposes of

Assessment and Impact of the Policy

The policy has been equality impact assessed to ensure that no part of the community is disadvantaged.

It should also have a positive benefit to the council in improving consistency in the way that it sets charges and concessions collects payment and recovers debt.

Application of the Policy

The policy applies to all council operations and activities.

The council's financial regulations set out the systems and procedures for managing income and expenditure. This policy sets out in more detail issues relating to income, but remains within the financial regulations within the constitution.

Exceptions to the Policy

Exceptions to the requirements of the policy will be dealt with in the same way as exceptions to standing orders and financial regulations, using appropriate delegated powers included within the constitution. This basically states that a variation to the Council's Financial Regulations can be made by the Sec 151 Officer in consultation with the CEX and Portfolio Holder and must be reported to the next Executive.

Definitions

Discretionary Service – A service that the local authority does deliver, but is not statutorily required to deliver, and which could, in theory, be discontinued if the authority chose to do so.

Statutory Service – A service that the local authority is statutorily required to deliver and cannot withdraw, irrespective of whether or not there is a charge. However this could be delivered by an external partner on the authority's behalf.

Service that is essential for well being - A service that is not a statutory service, but which the local authority determines should be provided to improve the well being of residents, irrespective of whether or not there is a charge.

Public Benefit – That element of a service that provides an element of benefit for the entire community. An example would be planning policy

Private Benefit – That element of a service which is purely, or largely to the benefit of the person receiving the service. An example would be Planning permission for an extension.

a resident's problem but will also have a public element in that part of the cost of collecting the waste could be thought of as a cost to prevent fly tipping.

2. Charges for Services

Types of charge

There are different types of charges that the council makes as follows:

- Charges from statutory sources (such as Council Tax and NonDomestic Rates);
- Charges which are set nationally by government (such as planning fees);
- Charges for which there is a local choice about how much to charge, but which are restricted to recovering costs (Land Charges);
- Charges for services that may be operated on a trading basis, or for which there is no guidance other than that which may be provided by the Council in the form of Strategic formulation and policy guidance

This policy covers all charges to some extent, but parts of the policy are specifically aimed at services where there is an element of local choice in the setting of those charges.

Services restricted to recovering costs

Certain council services are restricted to recovering the costs of providing the service. Where this is the case, it is essential that the full service cost is identified and that all elements of cost taken into account are reasonable and justifiable. This is irrespective of the level of charge ultimately set.

Services that may be operated on a trading basis

Services that may be operated on a trading basis tend to be those that are not seen as essential for social well being or that are discretionary. By their nature they may also be available from a number of providers, thereby offering user's choice. For these services, user demand will play an important role in deciding what the level of charge should be, although the cost of providing the service will also be relevant. The full cost of these services should be identified prior to setting charges.

Policy Guidance Note 1 – Charges for Services

Where charges are made that are not pre-determined, the full cost of the service is quantified and taken into consideration in determining the charge to be made. This may be modified to take account of the appropriate proportions of public and private benefit

3. Setting the Level of Fees and Charges

Services restricted to recovering costs

The ability to recover the cost of providing the service does not mean that the council should automatically set the level of charge in order to recover all costs. It will depend on a wide range of complex views, perceptions and influences. The

level of charge for each service will depend on the service objectives and priorities, resident demand, resident choice, the need for income to support service delivery and development and level of “subsidy” paid for by Council Tax payers to reflect that element of the service which is deemed to be a “public” rather than a “private” benefit

A charge set to recover cost will generate income that may enable a wider level of service delivery or service development, than would otherwise be possible. The impact of the charge can be addressed, as necessary by the use of different charges for different levels of service, say by considering the public/private benefit split, or by granting concessions to target specific service users.

Services that may be operated on a trading basis

Services that are not restricted to recovering cost tend to be services that are not considered essential to the well being of residents. Even so, these services may be provided to encourage residents to participate in specific activities or to discourage or restrict the demand for particular services. The level of charges for these services will also be influenced by many factors and can be moderated by setting a range of charges for different levels of service and by granting concessions.

Figure 1 illustrates the main influences on service charging.

Policy Guidance Note 2 – Setting the Level of Fees and Charges

The following factors must be taken into account in setting fees and charges:

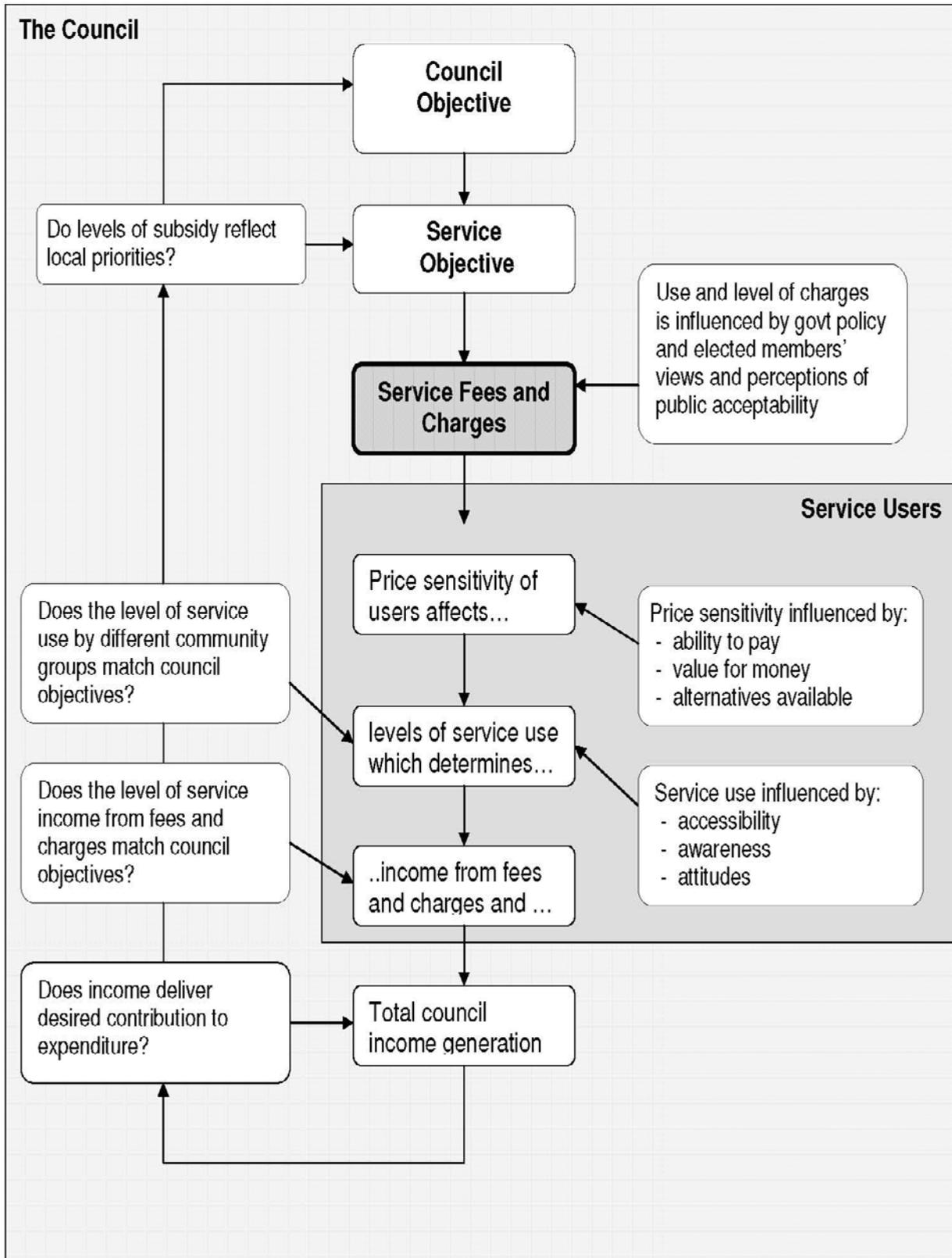
- **Contribution to council objectives and priorities;**
- **Allocation of Public/Private Benefit;**
- **Contribution to service objectives and priorities;**
- **Resident profile;**
- **Demand for service;**
- **Service availability and accessibility;**
- **Alternative services and prices.**

The minimum requirement will be the identification of clear links to objectives and priorities

Policy Guidance Note 3 – Reviewing Fees and Charges

The factors determining a charge should be reviewed whenever the level of fees and charges are reviewed.

FIGURE 1 – Influences on Service Charging



Source: -adapted from figure 7 in the audit commission report 'Positively Charged'
 NB: In addition Service Fees and Charges can be determined assessing the relative public/private benefit

4. Determining Concessions

The council may wish to target certain services at specific groups of residents or visitors and in doing so it may decide to apply discounts or concessions.

The decision about whether and how to apply concessions must be taken with full information about the demand for the service and the contribution that the service makes to council and service priorities. In other words, there must be a reason why the concessions are relevant and a positive decision that the concessions should be offered to specific resident groups, which in effect amounts to a subsidy to one target group. In such cases, it may be appropriate to apply a test of public/private benefit

Examples of resident groups that might be eligible for concessions in order to satisfy service priorities and objectives are:

- Children (of various age ranges)
- Students (or people in full time education who are not children)
- Young people other than children (of specific age ranges)
- Homeless persons
- People on low incomes (or people in receipt of benefit)
- The over 60s (or other ranges of older residents)
- People with particular disabilities
- Residents
- Commercial sector / Small businesses
- Employers
- Staff

The list is not exhaustive, but in every case where a concession is granted, there should be a sound reason why the concession has been made. This will assist the council to achieve consistency, equality and inclusion in the delivery of services.

In some cases there may be nationally prescriptive concessions and where this is the case, there is often government support to help fund these. However, these concessions should be subject to the same principles as all other concessions. There may also be government guidance on the financial assessments that need to be carried out to determine the contribution that residents' should make towards charges.

Policy Guidance Note 4 - Determining Local Concessions

The reason for all concessions should be identified in terms of the service objectives and priorities they aim to achieve and blanket concessions (those that apply to all services and all types of fees and charges) should be avoided

Policy Guidance Note 5 – Local Concessions over and above National concessions

Any concession that is made over and above the level of a nationally prescriptive concession should be subject to the same scrutiny as non-prescriptive concessions

Policy Guidance Note 6 – Monitoring of Concessions

The service outcomes of granting concessions should be monitored and the decision reviewed whenever fees and charges are reviewed

5. Collecting Fees and Charges

Income collection

The way that income is collected and the timing of income collection both determines how quickly the income is recovered, the extent to which there is scope for non-payment and the costs of collection.

The way that income is collected involves the method that a resident uses to pay the charge and how they do so:

Method of payment (cash, cheque, debit/credit card, bank transfer)

Channel of payment (face to face, by mechanical device, by telephone, at a bank or post office, over the internet).

The **timing of income collection** will depend on the nature of the service being delivered, the resident group and the service objectives and priorities.

Where services are **discretionary**, they are likely to depend on the collection of income in order to be sustained, or they may contribute to the delivery of other statutory services. In these cases income should be collected in advance of, or at the same time as the delivery of service. This will help to ensure that the occurrence of debt is minimised.

Where services are delivered to commercial organisations in a competitive environment, income should be collected in advance of the service delivery in order to minimise debt.

If the service is statutory or essential for well being, income should be collected in advance where practicable, but the delivery of the service may be such that the recovery of income can only take place after the service has been delivered. In these circumstances, there is always a higher risk that the income may not be recovered and that debt arises which is ultimately written off.

As taxpayers ultimately fund the write-off of bad debt, it is fundamental that the

'payment in advance' policy is adopted wherever possible and reasonable

Policy Guidance Note 7 – Payment for Services

Payment in advance or at the same time the service is delivered should apply for all discretionary services. For statutory or essential for well being services income should be collected in advance where practicable

Choice and options

The Council recognises the importance of offering residents a range of payment methods and will continue to invest in improving these. This helps the council increase its ability to maximise collection of income and ensure that residents are not excluded from meeting their liabilities due to restrictions on the type of payment method.

The Council will continue to review the payments methods available to ensure that it continues to balance value for money with resident expectations, convenience and accessibility. Resident confidence in payment arrangements is critical and the Council will ensure that accuracy and reliability of its income systems.

Where one method or channel of payment is not possible or maybe attracts a charge, there will always be an alternative option that allows all potential residents to benefit from the service in question.

Policy Guidance note 8 – Method of Payment for Services

A choice of payment method and payment channel should be offered to residents in most cases. Residents should be encouraged to pay by electronic means where possible and there will always be a method for which no extra charge is levied

Creating Debt

Sundry debts are difficult and costly to collect and it is important that payments are obtained in advance where possible. However sometimes this is not possible and a bill that has to be sent to the resident for payment after the service has been delivered. This automatically creates a debt that the council has to recover. If debts are not collected they ultimately become bad debts and will be written off at a cost to the taxpayer. The debt recovery process is covered in section 6.

The creation of debt needs to be managed and guidance given about the way that debt is created in order to help with this management process. Small sums are much harder to recover as it is not always cost effective to pursue the debtor.

Policy Guidance Note 9 – Setting a lower limit for raising an invoice

A lower financial limit should be set for raising bills and creating debt to reflect the cost of invoicing and collection

Invoice and Correspondence Standards

All correspondence with debtors must be accurate. All invoices must be corporately branded, raised by Finance and include details of all statutory requirements. In addition:

- Be correctly addressed including the postcode with full details of who is responsible for paying the debt;
- The amount payable, date of issue, due date and a description of the charge;
- The payment methods available including the kiosk opening hours
- A contact telephone number and name for enquiries in relation to the account
- A contact telephone number for discussing payments arrangements of the debtor is having difficulties paying

Policy Guidance Note 10 – Invoice details

All invoices must be clear and understandable to enable payment to be made efficiently

Cancellation and Refund

Some council services are responsive and require residents to make a request for service (i.e. Pitch Bookings). In many cases, payment will be required in advance of the service being delivered, otherwise a bill will be raised in respect of the service.

There are occasions when residents subsequently need to cancel the service request and a refund of payment may be required. In order to minimise the costs that may be incurred in preparation for providing such a service, a minimum notice period will be required for cancellation of a service, in order to be eligible for a refund. This period together with eligible reasons to claim a refund will be clearly stated when the service is requested by the resident.

Policy Guidance Note 11 – Cancelling a Service

A minimum time period, agreed by the service, will be required for cancellation of a service paid for in advance, in order to be eligible for a refund which may include a deduction for administration costs. This period, together with grounds for cancellation, will be made clear at the time of booking.

Accountability

The availability of resident choice should not mean that the resident has the ability to delay payment or not to pay at all.

No charge that is legitimately due should be waived or cancelled unless every attempt has been made to collect the income due.

No debt should be written off unless there is a reason why recovery is not possible and the process for doing this is included within the financial regulations. The principles for recovery action are contained in section 6, although there are separate policies for recovery and write-off of debt.

Policy Guidance Note 12 – Cancelling Debts

No charge that is legitimately due should be waived or cancelled unless every attempt has been made to collect the income due

6. Recovery action for late or non-payment

Basic Requirements

Surrey Heath will treat individuals consistently and fairly regardless of age, sex, gender, disability and sexual orientation and to ensure that individual's rights under data protection and human rights legislation are protected. However, it will consider the merits of each individual case when deciding how to pursue an unpaid debt.

When a bill or other request for payment is sent out it should always contain clear and unambiguous information about the charges made so that the resident can understand the payment due. The Council will, wherever possible, provide information to meet residents' specific communication needs. In doing so, the Council will seek to ensure that a resident's individual preferences are documented and stored on systems in order that future notices can be issued in the preferred format, for example large print to corporate standard.

Policy guidance Note 13 – Bills and Payment requests

When a bill or other request for payment is sent out it should contain clear information about the payment due

For residents who contact the Council in person or via the telephone, and who require a translation or interpretation service, the Council will ensure that, wherever possible a translation facility is made available to assist those for whom English is not their first language.

The Council will endeavour to ensure that documents issued in respect of debt recovery matters meet plain language standards.

If payment is required in advance, but this is done by way of a bill, the bill should be sent out in sufficient time to allow payment to be made by the due date or within the timescales specified.

Late Payment

If payment is not received by the due date, it then becomes a late payment and outstanding debt. Depending on the type of payment, a recovery process will be put into action once the payment is late by more than a prescribed time. The recovery process should be followed for all late payments, unless there is a specific reason why not, which is authorised and recorded.

Applying sanctions

Depending on the nature of the outstanding debt, sanctions may be applied. This will depend on the type of service, the nature of the payment, whether arrangements can be agreed and the legal framework within which a bill is raised. Sanctions may take the form of a withdrawal of service, where this is possible and reasonable. This should be the course of action taken for all discretionary services and services provided to commercial organisations.

In the case of council tax and business rates, there are specific regulations that govern the recovery action that is available to the council, as withdrawal of service is not an option.

Where the service is statutory or it is essential for health and/or well being, it may not be possible or desirable to withdraw the service. In these cases, the recovery process may need to be adapted to deal with late payment.

Policy Guidance Note 14 – Withdrawal of Service

Services should normally be withdrawn where outstanding debt arises for discretionary services or services provided to commercial organisations

Recovery action

The Council recognises the importance of issuing debt recovery documents in a timely manner and will ensure that such documentation is issued in accordance with statutory or internally approved deadlines

Recovery action will commence once a payment becomes late and a specified length of time has passed. The first recovery action for most debts will be a reminder. This should be sufficient to prompt payment for all debts where the payment has been genuinely overlooked or misinterpreted.

Documents issued will explain the legal options open to the Council in relation to the stage of recovery the document relates to. Such documentation will also clearly explain what the resident needs to do to avoid further recovery action being taken.

After a reminder has been sent, if the debt remains unpaid, further recovery action will be taken and this will depend on the nature of the debt and the legal framework within which the payment is due. The sanctions for non-payment can be a court summons, liability order, court judgement, attachment of earnings or benefit, bailiff recovery, bankruptcy, eviction or imprisonment.

If legal action is taken to recover debt, court costs will be incurred and these will be passed on to residents.

Policy Guidance Note 15 – Recovery of Debts

The relevant recovery process should be followed for all late payments without exception unless it is uneconomic or there are extenuating circumstances

Vulnerable Residents

Whilst Surrey Heath will apply a robust approach to recovery of debts, it also recognises that some residents will require a different approach to debt recovery due to their vulnerabilities. The Council will endeavour to take account of the needs of vulnerable residents throughout the debt recovery process and will work with Citizens Advice if necessary.

In undertaking the recovery of monies owed to it, the Council can call upon a wide range of powers to assist in the collection process. Some of these powers are quite severe, and include the ability to impact on a person's liberty, attach earnings and benefits and the right to seize goods belonging to the resident. When dealing with vulnerable residents, the Council will ensure that these powers will only be used when all other options have been exhausted and where all statutory processes have been properly followed.

Policy Guidance Note 16 – Vulnerable residents

When applying the debt management policy to more vulnerable residents, officers will consider the wider implications of any recovery actions on the individual and the Council.

Co-ordinated Recovery Process

An individual resident or business may have a number of different debts outstanding at any one time and it is desirable that the recovery action takes into consideration all the relevant debts and deals with them in a co-ordinated way, rather than dealing with them separately. The council will work towards better co-ordination of debt recovery in order to improve the recovery process and make it easier for residents to manage their debt in a way that is acceptable to the council.

However, in doing so, the Council will comply with Human Rights and Data Protection legislation. Where sharing of information is with other agencies, for example CAB, appropriate authorisations from residents must be secured.

Policy Guidance Note 17 – Coordinated approach to Debt Recovery action should aim to take into consideration all a resident’s debts and deal with them in a co-ordinated way

Irrecoverable debts

It is recognised that not all debts are recoverable and when a situation is reached in which all legitimate recovery action has been taken and there is no prospect of collecting a debt, it will be classed as irrecoverable.

Separate policies and procedures exist for recovery and write-off of debt and the processes to be followed in respect of authorisation and reporting. These are included within the financial regulations.

As has been highlighted earlier small value debts may be uneconomic to collect and hence should be avoided where possible

All outstanding debt should be monitored and reported in performance statistics

7. Performance and Reporting Mechanisms

Setting Targets

In every case where charges are made and income is collected, performance targets should be set and monitored and this should be part of the service planning process where income is significant.

When individual charges are made for services, a clear link should be identified between income generation, charging and collection and service objectives and priorities (see Section 3, setting the level of fees and charges).

Targets are automatically set for the total amount of income to be generated each year for each service in the budget setting process. Where income is significant, performance targets should also be set to monitor usage levels, collection information and debt levels.

Performance Monitoring

Monitoring income collection performance is necessary in order to assess the success of charging in service delivery and in achieving council and service objectives and priorities.

Effective monitoring can only take place if clear targets are set and information is collected and analysed on a regular basis. Better performance monitoring will enable better reporting and this in turn will improve the basis on which decisions about income generation, charging and collection are made in future.

Reporting

Where income generation is central to achieving service objectives and priorities, up to date reporting on income performance can help to identify related service issues.

Finance and performance monitoring reports should include information on current performance against the main income budgets set for the service in question and identify whether performance has improved or is worsening. Services should also offer proposals for dealing with poor performance, both short term measures and longer term proposals which may include varying charges or reassessing the public/private benefit ratios initially used

Annual fees and charges reports are a crucial element of income generation and charging policy as they set the level and scope of charges. They should include information about recent performance for main categories of income and how income contributes to service objectives and priorities. This will assist the decision making process, particularly where there are proposals for significant changes to fees and charges.

Policy Guidance Note 18 – Performance Monitoring

Performance targets should be set for main sources of income generation, charging and collection activities. Monitoring reports should include information about performance against income targets.

Policy Guidance Note 19 – Fees and charges Reports

Fees and charges reports should contain information about the contribution that income makes to service and council objectives and priorities

8. Income Generation Opportunities

It is important that the Council maximises its opportunities to increase its income. Although in some areas the Council is restricted by statute or other considerations from increasing income services should be tasked with exploring new income raising opportunities. These could come from charging for services which are currently free, devising new chargeable services, or improving the return on Council assets.

Services will be encouraged to see what is considered best practice on charging. There will be a presumption that all lease renewals will be at market rent unless there are demonstrable reasons why this should not be the case.

Policy Guidance Note 20 – Income Generation

Services be tasked with exploring new income opportunities. Comprehensive review of the returns obtained on the Councils Assets be done indicating areas where further attention may be required

SUMMARY OF GUIDANCE NOTES

Policy Guidance Note 1 – Charges for Services

Where charges are made that are not pre-determined, the full cost of the service is quantified and taken into consideration in determining the charge to be made. This may be modified to take account of the appropriate proportions of public and private benefit

Policy Guidance Note 2 – Setting the Level of Fees and Charges

The following factors must be taken into account in setting fees and charges:

- **Contribution to council objectives and priorities;**
- **Allocation of Public/Private Benefit;**
- **Contribution to service objectives and priorities;**
- **Resident profile;**
- **Demand for service;**
- **Service availability and accessibility;**
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